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THE

VERMONT CENTRAL

AND

VERMONT AND CANADA

RAILROADS.

REPORT OF TRUSTEES AND MANAGERS, AND ACTION OF THE STOCK AND BOND HOLDERS, AT HORTICULTURAL HALL, BOSTON, OCT. 2, 1872.

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REPORT OF THE TRUSTEES AND MANAGERS

OF THE

VERMONT CENTRAL RAILROAD.

A MEETING of the stock and bond holders of the Vermont Central and the Vermont and Canada Railroads was held in Horticultural Hall in Boston on the 2d of October, to hear the report of the trustees and managers of the line in regard to its present financial condition. There was a large attendance. The meeting was called to order by J. Gregory Smith, President of the Board of Managers, who said that the trustees and managers, under the peculiar condition of the Vermont Central and Vermont and Canada Railroads, have thought it wise and proper to ask their security-holders to meet the trustees, and hear from them a report in regard to the charges which are so widely made against them; and they were here to-day for that purpose. He would suggest the propriety of organizing the meeting by the appointment of a chairman.

Gen. James S. Whitney of Brookline, Mass., was chosen chairman, and Mr. Charles E. Billings of Newton, secretary.

The chairman then read the call for the meeting, as published in the daily papers, and called upon Mr. Smith to read the official report of the managers and trustees upon the condition of the road. That gentleman proceeded to do so, and prefaced it with the following remarks: "Before beginning to read my report, it may perhaps be proper for me to say that the extraordinary character of the assaults which have been made upon the managers of the Vermont Central and the Vermont and Canada roads, seem to demand from them as full an exposition of the affairs of the company as it was possible for them in the limited period of time allotted them to make it. Therefore, if the report of the managers is somewhat lengthy, I have only to ask your patient indulgence while I submit it to you."

THE REPORT.

To the Security-Holders of the Vermont and Canada and Vermont Central Railroads: —

GENTLEMEN, — In submitting their report, the trustees and managers do not feel called upon to reply to the wanton attack made upon their personal character, nor to attempt any specific refutation of the charges of corrupt practices preferred against them in the public press, further than a simple statement of facts and a truthful history of the administration of their trust may in themselves afford a denial of the truth of these charges.

The duties of the trustees and managers are of a higher character than a simple vindication of themselves. The charges which have been made so publicly of maladministration strike a fearful blow at parties and interests beyond and of higher importance than the personal status of the individuals who compose the board of management. They affect the values of all the securities of the road held by innocent parties. They strike at the vital energies of a great public enterprise, valuable to the State and community through which it runs, and of immense importance to all the commercial relations and interests of a great city. Wanton assaults upon it, therefore, and in such a public manner, even if the grounds for such charges were true, cannot be justified upon any principle of sound policy; and when, as in this case, these sweeping charges of corruption and personal aggrandizement are without real foundation, it becomes only the more reprehensible and inexcusable. If wrong existed in the management, it was easy to reach and correct it without ruining the enterprise; it was easy to reach and punish the wrong-doers without utterly prostrating all the securities held by innocent parties. It is a source of regret, therefore, to the managers, that any public journal claiming a position of respectability should lend its columns and its influence to assail in so violent a manner the standing and credit of a road like this, until at least it was well assured from a proper examination of all the facts that its charges could be sustained and were, in fact, true.

CONDITION OF THE ROAD WHEN THE TRUSTEES WERE APPOINTED.

A brief reference to the history of the road, from the date of the first connection of a portion of the present managers with it, is necessary to a proper understanding of the true position of the road, and its relations to its security-holders.

At the date of their entering upon the management of the property, the road was deeply involved in litigation. The rent of the Vermont and Canada Road was largely in arrears; and a bill in chancery was pend-

ing to establish the right of that company under the lease to the possession of its own and of the Vermont Central Road.

The first and second mortgage bondholders, parties defendant to this bill, denied the validity of the Vermont and Canada lease, and their right to the possession of the Vermont Central for the recovery of their overdue rents.

The first-mortgage bondholders also had a bill in chancery pending to foreclose their mortgage; and various other suits growing out of and incidental to these were pending. In addition to this, the legislature of the State of Vermont had at its previous session passed an act imposing upon the Vermont and Canada Company, as a condition to the preservation of its charter, the necessity of constructing a branch into Burlington to connect with the Rutland and Burlington Road by a circuitous and expensive route, which, according to the estimate made, would involve the Vermont and Canada Company in the expenditure of over a million of dollars.

In this condition of the affairs of the company, the road had become greatly impoverished; its road-bed and track were in a sadly depreciated condition, the iron hardly safe to run over, nearly two-thirds of the Vermont Central between Windsor and Burlington at sub-grade, and nearly all the Vermont and Canada without ballast, and a portion of it on trestles, the equipment largely depreciated, the bridges badly decayed, and many of them requiring immediate reconstruction. The attention of the managers was absorbed and distracted in attending to the law-suits which were prosecuted with great bitterness, and no time left them to look after the business of the road nor to develop its resources and traffic.

COMPROMISE OF PARTIES.

At this juncture of its affairs, an effort was made to compromise and settle on a satisfactory basis all the then pending litigation. After a protracted negotiation, a settlement was effected establishing the validity of the Vermont and Canada lease, and providing for the payment of its accruing rents, and also for the rents overdue, which had accumulated during the period of litigation. Provision was also made for the construction of the branch into Burlington on an improved line and at a reduced cost. The change in the route reduced the cost to less than $400,000. To accomplish this change in the route, however, the sanction of the legislature was necessary, and the consent of the Rutland and Burlington Road was required. These were obtained in the fall of 1859, but on condition that the branch should be completed within a brief period.

Subsequently a new compromise between the bondholders of the first and second mortgages and the Vermont and Canada was made, by which

the overdue rents of the Vermont and Canada Railroad were capitalized in part, and the capital of that company increased from one million three hundred and forty-eight thousand five hundred dollars to two millions of dollars; and the overdue coupons of the first-mortgage bonds, amounting to over a million of dollars, were funded, and the first mortgage increased from two millions to three millions of dollars, and extended for twenty years. The trustees and managers were also required to pay to the Vermont and Canada stockholders the sum of $97,000, balance of overdue rents, in three years after date, with interest. The second mortgage was to surrender its coupons, — all of which, together with the principal of the mortgage, were overdue, and the same was to be extended for twenty-five years.

The stock of the Vermont and Canada was also further increased to the extent of $250,000, to be distributed among the holders of the first-mortgage bonds in payment of their coupons.

This compromise, effected by negotiation of leading representatives of the various classes of securities, was subsequently embodied in a decree of the court of chancery of the State. The decree of the court, however, being only professedly an aid to the parties in carrying out the compromise, could not, of course, become binding upon all so as to permanently establish the rights of the parties, except in one of two ways: 1st, by the individual assent of all the holders of the securities embraced within the scope of the decree; or, 2d, by the acquiescence of the parties.

In order, therefore, to give validity to this decree, and so render it obligatory upon all, the several stockholders and bondholders, as they received the new shares allotted to them in the Vermont and Canada stock under the decree, and the new coupons under the two mortgages by which the time on each was extended, were invited to execute their receipt therefor, and assent to the conditions of the compromise. In this way the decree became of binding force upon all.

By the terms of this compromise it was provided that the road should be held permanently in the hands of the court of chancery, and the earnings, after paying the expenses of operating and maintaining the property, should be distributed among the holders of the several classes of securities according to their order of priority.

By the provisions of this last decree, the status of the parties became fixed, and the relations of the trustees and managers to the property and to the security-holders were established; while at the same time their relations to the public as common carriers, charged with the duties and incidents attaching to such a position, were defined.

REPORT OF THE COMMITTEE OF CONFERENCE.

THE Committee of Conference appointed at the meeting of the Security-holders held in Horticultural Hall, Oct. 2, made the following report at the adjourned meeting, held Oct. 9, at the same place: —

The committee appointed at the meeting held October 2 to confer with the trustees and managers have met them, and report their views as follows: It appears, by the report of the trustees, that the floating debt, now in the form of short notes of the trustees, unpaid bills, accounts, pay-rolls, etc., above all available assets, was, June 1, 1872, $1,528,914.85. Of this sum about $1,300,000 has been expended for additions to the trust property which a corporation would charge to construction account: the balance of the floating debt is attributable to the deficit which has arisen between their receipts and expenditures since they have leased the Ogdensburg and Rutland roads. The trustees confidently express the opinion, that the Ogdensburg Railroad will pay them a profit in the course of the year 1874; and also that the Rutland Railroad and its connections east of Lake Champlain will become of direct profit in the course of the next two years. Your committee think that it is proper to consider the deficit on the leased roads as a bonus paid by the trustees for obtaining property and business facilities of great value to the line of road managed by them, and for removing a competition which had always been damaging, and which was on the point of becoming ruinous. The trustees always anticipated that this floating debt, created as we have seen, $1,300,000 for construction proper, and the balance for what we may consider as paid for obtaining valuable right and property, and therefore also for construction, would be funded; and they had hoped to carry it along without interfering with the regular payments of rent and interest till the Vermont Legislature should meet, and should in some way enable the holders of the securities to form a corporation in which this floating debt should be represented by capital.

In this they have been disappointed; first, because by their contracts they have been obliged to buy much more property of the leased roads, and a two years' supply of wood in one year; and, second, because the condition of the money market has rendered it very difficult for any one to carry a large floating debt this year. The result, as we all know, has been that the trustees have been unable to carry the

load; and a pressing necessity has arisen for immediately funding this debt. We do not see that any thing has occurred to imperil or diminish the value of the property. The road and road-bed, repair-shops, equipment, and property of all the roads managed by the trustees, we are assured, are in an exceedingly good and efficient condition, and equal to that of any railroad in New England. We are also assured that they are getting into a position to increase their income and diminish their expenses; that the contracts with the National Despatch Company have not been a source of loss to the roads, and it is anticipated by the trustees that the rate paid to the Despatch Company will be reduced. If this floating debt is now funded, the trustees estimate that the future earnings of the combined roads will soon be sufficient to pay the expenses of running, the rent to all the leased roads, the interest on all the classes of bonds, except, perhaps, the second mortgage bonds. If, however, they may not be able to pay promptly the rent and interest due Dec. 1, they would issue scrip, which they would expect to soon pay off. The important and practical question is, How is this debt to be funded? The trustees recommend that it should be funded in bonds issued by the trustees, having thirty years to run, at eight per cent interest.

These bonds are to be issued under a decree of the Court of Chancery of Vermont, from which the trustees derive their appointment, which gives them power to issue $2,500,000 thirty-year bonds at eight per cent interest, and provide that $700,000 of them should be left with the New-England Trust Company as security for that amount of bonds due in 1875, leaving $1,800,000 of them now to be placed, which is the amount required to pay the floating debt; and this it is which the stock and bond holders and the creditors of the company are invited to subscribe for. The decree authorizing this issue of bonds provides as follows: —

"And it is further ordered and decreed, that the notes issued under this decree shall constitute a lien and charge upon the trust property and the earnings thereof, under the control of said trustees and managers; and in case said trustees and managers shall fail to pay said notes and interest thereon as it becomes due and payable, the holders of said notes, or any of them, may apply to the court by petition for a realization of his or their securities, or for a summary order for the payment of the amount due out of the property or current earnings of the railroads under the control and management of said trustees and managers."

It would be very desirable if the Company could receive the full par value of their bonds; but in view of the state of the money market, and the necessity of making some special inducement to subscribers, it has been determined to offer these bonds at ninety per cent, to be paid for in three instalments, — Nov. 1, Dec. 1, and Jan. 1; and subscription papers have been prepared. This course, we are assured by eminent lawyers in Vermont, is permitted by the laws of that State. Your committee are impressed with the advantages which would accrue to all concerned if this property managed by the trustees could on equitable terms be vested in a corporation, which would have greater facilities for meeting the growing wants of the community than the trustees have. They are informed that this subject is under consideration by their counsel in Vermont, who have been requested to prepare the bills to lay before the legislature now sitting, which should grant the authority. Your committee are not prepared to report

on any scheme; but one under which the capital of the Vermont and Canada Company and the trust debt should be represented by preferred stock or a new mortgage, and the other securities should be fairly dealt with, they think would be for the general advantage. When the plans are further matured, they will be submitted to the various persons interested. The committee unanimously recommend that the holders of the various securities, and the creditors of the Company, should promptly relieve the Company from its embarrassments by a liberal subscription to the bonds.

LEMUEL SHAW,
WILLIAM PERKINS,
E. C. BAILEY,
JOSEPH H. CONVERSE,
IVERS PHILLIPS.

The report was unanimously adopted, and measures were taken to carry out the recommendations of the committee.

At the meeting and during the day, about $800,000 were pledged by the security-holders.

DEVELOPMENT OF THE ROAD.

From the date of the settlement of the conflict among the security-holders, the road began to develop its business.

The fact that harmony was restored inspired confidence: the public were re-assured; and all the material elements of growth and prosperity began to manifest themselves along the whole line. The stimulus thus given to the business created new and constantly-increasing demands for enlarged facilities, and these, in their turn, created the necessity for increased expenditure. The limited and depreciated equipment was soon found to be inadequate to meet the demands of the increasing business. Additional trains were required, and, as these increased in number, the necessity for improved track in order to secure an economical working of the road was rendered more imperative.

These improvements and enlargements required a large outlay of money, and, with a road under corporate management, would have been supplied by an increase of its capital account, and thus the earnings of the road would have been held legitimately to be applied to the payment of dividends. But, under the peculiar management incident to a road in the charge of the court, the road had no means out of which to meet these necessary expenditures but the earnings of the road itself, except as money was from time to time obtained upon the credit of the management. As these necessities forced themselves upon the managers, authority was given by the court to make, in some instances, long loans, or to convert temporary loans into funded loans, and these loans now constitute the trust liabilities of the management, and are, from the very necessities of the case, a first charge upon all the property in the hands of the managers.

The branch into Burlington was constructed out of the earnings of the road. The wharves at Burlington, to accommodate the large lumber-business, were built; then followed the purchase of the Stanstead, Shefford, and Chambly Railroad, and immediately thereafter came the demand for the construction of the new road to Canada line in the town of Highgate, in compliance with the charter of the Vermont and Canada.

LOANS AUTHORIZED BY THE COURT.

In 1865, the wants of the road, thus rapidly expanding by the opening of new avenues for business, demanded large increase of facilities; and for this purpose authority was given to make a loan on ten years' time, and the first equipment bonds were issued. This loan, as stated in the

order made by the chancellor, was for the purpose of purchasing equipment, and for necessary improvements.

In 1867, an additional increase of the capital stock of the Vermont and Canada Road was authorized to the extent of two hundred and fifty thousand dollars, which was to be expended, first, in payment of the $97,000 and interest, amounting in all to about $114,500, due that company under a former decree, and which was about maturing, and to pay dividends falling due 1st June, 1867; and the balance was to be sold to supply the extinguishment of trust liabilities.

Authority was also given to issue the notes of the trustees and managers to the amount of five hundred thousand dollars, and to secure the same by a pledge of the stock and first-mortgage bonds of the Stanstead, Shefford, and Chambly Railroad, in the hands of the trustees and managers, and which are now held by the managers as assets for the security of these notes.

The said notes thus issued were to be delivered to the holders of the first and second mortgage bonds in payment of coupons maturing in June and December then following. Of these notes $443,800 have been issued and disposed of in accordance with the decree of the court. The balance are now in the hands of the trustees and managers as assets.

The trustees and managers were also authorized to borrow three hundred thousand dollars to extinguish the liabilities of the trustees and managers incurred in the development and improvement of the property.

In 1869, a further loan of five hundred thousand dollars was authorized, and if approved by the committee of the first and second bondholders, and the necessities of the road required it, an additional five hundred thousand; making in all one million of dollars.

In 1871, authority was granted the Vermont and Canada to further increase their capital stock to the amount of five hundred thousand dollars, and to deliver the same to the trustees and managers in settlement of certain expenditures made by the trustees and managers for and in behalf of the Vermont and Canada Road; and also authorized and empowered the trustees and managers to issue their notes to the amount of one million of dollars, to be indorsed and guaranteed by the Vermont and Canada Company, for the purpose of paying the liabilities incurred by the trustees and managers in supplying equipment and in other necessary improvements of the property.

All these several orders and decrees were made by the consent and with the approbation of the Vermont and Canada Company and the committee of the first and second mortgage bondholders.

AMOUNT OF THE SECURITIES.

The amount of all these securities may, therefore, be stated thus: —

Vermont and Canada original stock		$1,348,500
Addition by compromise decree to pay back rents		651,500
Addition to pay bondholders		250,000
Toward building Swanton branch		250,000
To reimburse trustees and managers for expenditures on their account		500,000
		$3,000,000
Original first mortgage	$2,000,000	
Increase to pay back coupons	1,000,000	
S. S. and C. bonds to pay coupons of first and second mortgages	500,000	
Equipment bonds	2,000,000	
Vermont and Canada guaranteed 8's	1,000,000	
		6,500,000
		$9,500,000

The interest on this debt, chargeable upon the funds of the road, is as follows: —

Vermont and Canada stock	$3,000,000	8 per ct.	$240,000
First-mortgage bonds	3,000,000	7 " "	210,000
S. S. and C. bonds	500,000	7 " "	35,000
Equipment loan	2,000,000	8 " "	160,000
Vt. and Can. guaranteed 8 per ct.	1,000,000	8 " "	80,000
	$9,500,000		$725,000

THE TRUST DEBT.

Of this sum there is properly chargeable to the trust, as funds for which they should account, the following: —

1. Issue Vermont and Canada stock towards constructing Swanton branch	250,000
2. Issue of Vermont and Canada stock to reimburse fund for building Burlington branch, and other expenditures	500,000
3. Equipment loans	2,000,000
4. Vermont and Canada 8's	1,000,000

The bonds known as the Stanstead, Shefford, and Chambly bonds, although perhaps properly a trust debt, are nevertheless secured by the

bonds of the Stanstead, Shefford, and Chambly Railroad, amounting to over six hundred thousand dollars, and about five hundred thousand dollars of the stock of that road.

The bonds and stock of the S. S. and C. Railroad thus held by the trustees and managers carry, in fact, the title to that property; and the notes of the trustees and managers issued on the strength of the pledge of these are therefore substantially the first-mortgage bonds of the S. S. and C. Railroad, and, having been issued for the specific purpose of distribution to the bondholders, ought not, in fairness, to be reckoned as part of the trust debt against the management.

These bonds and stocks are, however, entered properly as assets in the statement of the treasurer given below, and it is believed that they are a good and ample security for the notes of the trustees and managers.

THE MISSISQUOI ROAD.

There should be added to the above interest account the interest on the Missisquoi bonds, so called. The principal of these bonds is not a trust liability. The bonds are issued by the Missisquoi Railroad, and secured by a first mortgage on that road. The road is about twenty-eight miles in length, extending from St. Albans to Richford, and runs through the rich and fertile valley of the Missisquoi River, — the great dairy-producing portion of Franklin County. The trustees and managers have leased the road on a durable lease, agreeing to pay therefor as rental forty per cent of the gross receipts of the road, and have guaranteed that the forty per cent shall be equivalent to the interest on the $500,000 of the first-mortgage bonds.

If in any year the forty per cent of the gross receipts shall be insufficient to pay this interest, then the deficiency advanced by the trustees and managers constitutes a debt against the road, to be paid back out of the earnings.

The road is one that can be economically operated. The country through which it passes is thickly populated, and is an exceedingly rich one. Besides the dairy-products, there are extensive timber-districts, composed principally of the finest spruce and hemlock, which will thus be opened to market. There are also rich mineral deposits along the line, prominent among which are iron ore and yellow ochre, existing, it is believed, in large quantities, and of the richest quality.

The towns on the line of the road contributed, by way of town-bonds authorized by act of the legislature, to the extent of $234,000, the proceeds of which were expended upon the road, and formed the basis of the first-mortgage bonds. It is a valuable feeder, and will soon be a remunerative one.

The interest on these bonds, therefore, added to the above interest to be provided for, makes the total sum annually chargeable upon the earnings of the road at the present time seven hundred and sixty thousand dollars.

It will be noticed that, in this calculation, the second-mortgage bonds are omitted, for the reason, that, in the compromise above referred to, it was the understanding that these bonds should not be considered until the development of the road fully justified their being taken on as an interest-bearing security.

THE TOTAL CAPITAL.

Adding these, however, and the total capital chargeable to the Vermont and Canada and Vermont Central roads proper, with their extensive and valuable properties and business relations, stands at $11,500,000. From this deducting the S. S. and C. bonds, which in fairness should not be reckoned as part of the Vermont Central capital ($500,000), and we have $11,000,000. From this deducting again the second-mortgage bonds, and we have a capital chargeable at this present time to the road for interest and dividends, — $9,500,000.

On this latter basis the average per mile of the two roads — Vermont Central and Vermont and Canada railroads, 184 miles — is about $51,000; or, including the second mortgage at its full face-value, the average per mile would be about $58,700.

The managers submit to any candid mind, whether, even on the latter and fairest basis of the computation, the road in its high condition, with its equipment and its valuable real estate and property, does not stand at a very low average of cost.

DIFFICULTIES ENCOUNTERED.

The injustice and untruthfulness of the criticisms which have been so freely indulged in recently are made most glaringly apparent when it is remembered how much the road has had to contend against to attain its present position of power and productive capacity.

Forced by the requirements of the charter to build two expensive branches to the main line; obliged to ballast almost the entire length of the track of both roads; to reconstruct almost the entire rolling-stock and equipment, and at the same time to more than double both the cars and motive power; to construct new and enlarged shops; to rebuild almost every bridge on the line, and at the same time to meet with regularity and promptness the dividends and interests on all the securities, while the only resources at the command of the managers have been the earnings of the road, and the comparatively small amount of loans which

they have been enabled to make, — when all these are considered, the managers do not hesitate to say that but few, if any, roads in the country can show a more rapid or a more satisfactory and successful development; nor do they believe that any evidence of a want of fidelity to their trust can be discovered.

The argument that, because the annual reports do not show a large net over the operating expenses, therefore it is to be accepted as proof of mismanagement, and that the road does not and can not earn its dividends and interest, is not altogether sound.

The construction-account was closed on their assuming the management, and all expenditures were charged to operating expenses. The reports have, therefore, always shown the worst against the managers.

Nevertheless the fact remains, that, as each half-year revolved, the dividends and interest on all the securities chargeable upon the trust have been regularly paid. The additional fact also remains, that each year has exhibited a steady improvement in the condition and value of the property. Each year has exhibited a growth of its business, an increase of its earnings, and a large augmentation of tonnage; while the other and not less important fact remains, that the only source of supply from which to create all this was simply the earnings of the road, and the money borrowed and funded from time to time. How small a portion of the amount expended in developing this property was derived from added capital will fully appear from the report of the treasurer herewith submitted; while, on the other hand, the question whether the road has legitimately earned its dividends and interest will find a ready and affirmative solution. The managers commend the statement so carefully prepared by the treasurer to the thoughtful consideration of the security-holders, as also to those who, from whatever motive, are so ready to malign and disparage the management.

In consequence of the continued and persistent assault of the enemies of the road upon its credit, and the stringent, close money-market, the trustees and managers were compelled temporarily to pass their maturing obligations. With resources more than abundant to pay all its liabilities, but not for the moment available, with a road never in all its history more prosperous, with business and earnings in excess of any former period, in all its appointments in the highest state of efficiency, it was nevertheless forced to yield to the combined pressure.

With the motives which have actuated those who have thus assailed the character and standing of a great and successful enterprise, the managers have at this time and in this place nothing to do. They have here to do only with the causes which produced the result so far as they themselves are concerned in it.

THE FLOATING DEBT, AND THE CAUSE OF IT.

The statement of the treasurer accompanying this will give the amount of the floating debt and the cause of it, together with the resources of the road.

From this report it appears, that, on the first day of June, the total floating debt was $2,878,164.42, and the available assets were $1,349,-249.57, leaving the actual floating debt $1,528,914.85.

This debt consists, in large part, of the deficiencies in the earnings of the Odgensburg and Rutland roads to meet the expenses of the rentals.

The reasons which existed at the time for making the contract for operating the Ogdensburg and Lake Champlain Road were considered good and sufficient by all the parties to the negotiation.

The subject was well and carefully matured; and the value and importance of the road to the Vermont Central and Vermont and Canada Road, as well as to the interests of the whole line, were fully conceded.

Present at the negotiation, and participating with the trustees and managers, were the committee of the Vermont and Canada Company specially appointed by the board of directors for that purpose.

After the completion of the negotiations and the terms of the contract had been agreed upon, and the preliminary contract had been drawn, the directors of the Vermont and Canada Company called a special meeting of their stockholders, specifying the object of the meeting to be the consideration of the question of authorizing the lease.

At this meeting the whole question was fully discussed by the stockholders, and they voted unanimously to authorize the execution of the contract.

The contract is in the name of the Vermont and Canada Company; the trustees and managers joining in the contract, and agreeing to carry out its terms and provisions.

The rental paid for the road, while considered large at the outset; and with a full recognition of the fact that loss would ensue in all probability for the first few years, yet as the term of the period of management extended for twenty years, it was believed that the growth and development of the property during that period would fully justify the undertaking, and that all losses which might arise for the early period of the contract would be more than covered during the whole term, and a handsome profit result to the Vermont Central and Vermont and Canada roads.

In this view, the other roads in the line from White River Junction to Boston, who are also in interest in the contract, fully shared. Yet, with this fact fully in view, it was thought advisable to secure the control of the road; and the contract was accordingly executed by the

Vermont and Canada Company by their committee appointed for that purpose, and by the trustees and managers.

The deficiencies, therefore, have not come unexpectedly; nor are the trustees and managers surprised; nor is their faith and confidence in any manner shaken in the value of the contract; nor are their views changed as to the wisdom of making it. The deficiencies are by no means altogether losses, as has been erroneously stated. On the contrary, while the deficiencies go to constitute a portion of the present debt of the trustees and managers, a large sum should be charged to account of assets.

Precisely to what extent this should be done can only be determined by a revaluation and appraisal of all the property embraced in the contract. Certain it is that to the extent of the new equipment added, and the large amount of wood and other materials on hand, together with the new station and other buildings added to replace old ones burned or otherwise destroyed, the improved condition of the track, expenditures on wharf and terminal property, — all these, which constitute a large expenditure, enhancing the value of the property, and are embraced in the current operating expenses of the road, are, in fact, assets, and should not, in any sense, be charged to the account of loss, as, at the final or other sooner determination of the lease, the whole property is to be revalued and appraised, and the lessees have the full benefit of the improvement and enhanced valuation.

The same remarks hold true in reference to the lease of the Rutland Road. The deficiency there is larger in proportion than on the Ogdensburg and Lake Champlain Railroad. Yet large expenditures have been made which are properly assets, and, to some extent, available to apply toward the rents to be paid.

The account of the trustees and managers for work done on the Addison Road in order to put it in proper condition to be operated is a clear asset, and applicable, in the hands of the trustees and managers, to the rents to become due to the Rutland Road. Yet this sum is included in and constitutes a part of the operating expenses of the road, and hence swells the deficit against the trustees and managers, and constitutes a part of their present debt.

In addition to this, a considerable outlay of money has been required to complete and protect the road where it was washed away by the terrible freshet of 1869.

Equipment has also been added, the track greatly improved, two old station-houses which were burned, rebuilt in substantial form, all embraced in operating expenses, yet not chargeable to loss.

Thus reduced, the actual losses on these roads will fall below the amount estimated by the trustees and managers at the time of taking

the lease. The trustees and managers do not by this mean to underestimate the real losses on these roads; yet the extravagant statements made in reference to them in the public prints are not justified by the facts in the case. The large expenditures immediately demanded are, however, made, and will not probably be required again to any thing near the same extent; while on the other hand both roads are improving in their earnings, and it is not unreasonable to believe that the coming year will show a large and favorable reduction of deficit. Indeed, at the present ratio of increase of earnings and such reduction of expenses as can now be safely made, there is good ground for hope that the Ogdensburg at least will be self-sustaining, and that the Rutland proper, the Vermont Valley, and Vermont and Massachusetts will also pay the rents out of their earnings, leaving the deficiency, if any, to fall upon the other branches.

Another item in the floating debt of the trustees and managers is the amount paid for the wood, shop, stock, and materials on hand on the Rutland Road at the date of their taking possession of the same. This was largely in excess of what was estimated by the parties. It was taken at an appraised value, and was worth what it was valued at. This amounted to $418,000.

The question of attempting to retain these leases, or of abandoning them, is one of too much importance to be lightly passed upon. They were assumed not by the trustees and managers alone, but as the deliberate sense of the stockholders and bondholders, as, under all the circumstances, the wisest and best thing to be done.

Now, after a proper and careful examination of all the facts, it may be the most desirable thing to negotiate with the parties for a surrender of them; but the question is of too grave importance to be disposed of rashly. Even if thought advisable under all the circumstances to seek a release, it should be done as a matter of negotiation with the parties in interest in those roads. To seek to accomplish it by a rash forfeiture under a momentary excitement would only be to expose the trust-property and the Vermont and Canada Company to excessive demands for damages, and seriously impair and retard their claims for reimbursement for the moneys expended in the improvements made upon both roads.

The trustees and managers have at this time no opinion to express in reference to the question of what action is wisest.

They simply acted in concert with the other parties in interest in the property which they manage in *making* the leases, and therefore can only signify their readiness and willingness to confer, if desired, with the same interest, in carefully considering the question of release.

THE NATIONAL DESPATCH CAR COMPANY.

Having thus briefly, and yet as fully as the limited time at their command and the pressing nature of their engagements would permit, alluded to the immediate causes which have produced the present state of affairs on the road, the trustees and managers come to the specific charges brought against them in the public prints of mismanagement.

The first, and indeed the most prominent, is the existence of the car companies, known as the National Despatch and Vermont Iron and Car Company, whose cars run upon and over the Vermont Central Road.

The history of these is very brief and simple.

First, The National Car Company. This company was organized in 1868. Up to this date the Vermont Central line, as it was denominated, was composed of the Boston and Lowell, Concord, Northern New Hampshire, Vermont Central, Vermont and Canada, and Ogdensburg roads. Its connection for its Western business to and from points west of Ogdensburg was by means of the propellers on the Upper Lakes, and formed during the season of navigation a good and efficient line.

The business accommodated by the line was what is known and termed the interior New-England business, consisting of the supply of Western products to great manufacturing districts and other points in New England.

This traffic formed the most remunerative business of the line. In addition to this, during the season of navigation through freights to and from Boston and the West found a convenient and natural route by this line. The Propeller line at that time consisted of thirteen boats, making a semi-weekly line between Chicago and Boston. Thus, during the season of navigation, this line did a fair business; but, on the closing of navigation, it could only be operated as a line for local business between Ogdensburg and Boston.

The organization of the car companies known as the "colored lines," under various names of Red, Blue, White, Merchants' Despatch, and the like, was admitted upon the competing roads leading from Boston to Western points, and being unable to transport freights by all rail to all points West without breaking bulk and on time contracts, and having the advantage of continuous lines all the year round, offered great inducements to the patrons of the Vermont Central line to withdraw from it, and send their business over those lines, offering as additional inducement contracts for the entire year at uniform rates.

Many strong patrons of the Vermont Central line were thus induced to withdraw, and the business of the line seriously threatened. The "colored cars" from other lines were reaching far into the interior points of New England, and were drawing away a business which fairly be-

longed to this line, and which it could, properly equipped, better and more naturally supply than any other. A conference with the other roads now forming the line over which the National Car Company run their cars was had, and it was agreed that an effort should be made to hold this business. The change in gauge, however, constituted a serious drawback. The patent which had been obtained for adjusting the wheels and axle to a difference in gauge was an experiment, and so uncertain in its results that the several companies constituting the line did not feel justified in investing in the enterprise as corporations. It was therefore agreed, that, if outside capital could be induced to take the risk, a liberal contract would be given by the roads in the way of car-service to test the experiment. The parties owning the patent, therefore, with confidence in the success of their invention, undertook to organize a company; and a contract was entered into with that company, signed by all the roads composing the line, permitting the Despatch Company to build and place upon the road two hundred cars to test the experiment, and agreeing to allow for that number three cents per mile run for car-service. That company was, however, restricted to the original number, and could not add more without the written consent of all the roads in the line. The contract also contained a provision authorizing any road in the line to terminate the contract by purchasing the cars at cost. With a contract thus guarded, the company was organized. Being entirely an experiment, and, in the judgment of many railroad men, somewhat doubtful of success, it was not easy to enlist sufficient capital at first to give it a trial. To encourage it, therefore, many gentlemen connected with the different roads in the line came forward and subscribed for a portion of the capital stock. The number of cars limited in the contract were built, and were put into the line, and the experiment proved a success. After a year's working, or thereabouts, the managers of the several roads in the line became satisfied that although the cost of these cars was somewhat in excess of ordinary cars, yet they could not feel justified in paying the high rate of service called for by the contract, and declined to admit any more cars unless the rate was reduced.

This was done, and the rate (two and a half cents) fixed for a limited and small number of additional cars. Then the rate was afterward reduced to two cents on the additional cars put in. Negotiations have been pending for the past three months for a still further reduction.

Every effort has been persistently made, not only by the trustees and managers of the Vermont Central, but by the managers of the other roads in the line, to reduce this car-service.

There was not at the first, nor has there been since any element of speculation or private or personal aggrandizement in it whatever; nor

have the cars, in the opinion of the trustees and managers, been permitted any undue preference or advantage over the ordinary cars of the road. The instructions of the trustees and managers, from the outset, to the heads of the departments charged with the duty of looking after such matters, have always and uniformly from the first been explicit upon this point; and they are fully assured by the several departments that these orders have been strictly obeyed.

The rates of freight between Boston and the West are not regulated by the trustees and managers of this road alone. These are under the general control of a board of managers of through-line business; which board is composed of representatives of each road constituting the line between Ogdensburg and Boston, and this board is organized again by a chairman and an executive committee. To this organization all questions of rates on through freights are referred, and are under their control. The instances cited in the public print where the amount paid for car-service exceeded the amount received for freight may or may not be true. No such instances on the Vermont Central Road have come to the knowledge of the managers, nor do they believe they exist. If found on other roads, it is believed that they are isolated cases, and, if all the facts were given, would find a satisfactory explanation.

No such instances have, however, been brought to the notice of the managers of this road by any of the connecting roads.

That the organization of this despatch line has been of actual and essential benefit to the Vermont Central Road, any candid examination of the business will be forced to admit. That it would be desirable that the road itself should own the cars there can be no room for doubt, and the managers cannot too strongly urge the importance of the purchase. It is simply a question of capital. If the road were relieved of its present restricted and awkward position as regards the management, and were placed in the hands of a corporation where the proper additions to its plant and the things necessary for its expansion and growth could in its own legitimate and natural way be *capitalized*, *all* the difficulties and embarrassments which now hang over the enterprise would be relieved. It would add new zest to every department of the road; it would give it credit which a trustee management can never possess; it would bring a development and growth which would surprise even its most sanguine friends; and it would remove all the causes for jealousy and suspicion which must ever attach to the managers of a road, however faithful and honest, whose term of office is not dependent on the will and choice of the true constituents of the road, but is derived from another and independent power. It needs only a fair and just appreciation of the real value of their own property by the security-holder, and a proper knowledge of the fertility of the resources of the road which

only wait to be developed, to inspire the necessary confidence to command the capital to accomplish all this.

Scarce one of the security-holders even to-day realizes what his property is: few ever visit it to watch its growth, to study its characteristics, to understand its wants and the difficulties under which it labors; much less are they in any condition to judge of what is just and right, or what is true or false, when their property or its managers, from whatever motive, are unjustly assailed.

THE VERMONT IRON AND CAR CO.

This is another organization formed in 1870. The new extension of the Ottawa and Prescott Railroad to the great lumber-mills at Ottawa seemed to give promise of opening a largely-increased traffic in lumber from that section. A meeting was held at Ottawa by the lumbermen and the managers of the Ottawa Railroad and those of the Vermont Central Road, and, after a full consideration of the proposals made by the lumbermen, the Ottawa Road determined to proceed at once with the construction of their branch Road, extending it directly to the mills and lumber-yards, provided the Vermont Central would supply the necessary cars, to be devoted entirely to the lumber-business, transporting it without breaking bulk direct from the place of its manufacture to market. To do this efficiently required, as it was estimated, five hundred box cars, to be increased from time to time as the growth of the business demanded.

The trustees and managers were in no condition financially to undertake this outlay of money, and hence were obliged to forego the business, or encourage the building of the cars from other sources. A car company was formed under the above name, and two hundred cars were contracted for at the rate of two and a half cents per mile car-service; the trustees and managers reserving the right at any time to terminate said contract by purchasing the cars.

The result of this contract, so far from exhibiting a loss to the Vermont Central Company, has been an actual profit to them; the revenues derived from connecting roads on the usual rate for car-service per ton per mile for the use of these same cars having yielded to the railroad more than has been paid to the car company at the contract rate. The trustees and managers have, therefore, been actual gainers under the contract. The cars of that company, as will appear from the statements of the master of freight transportation, have never been permitted to take precedence of the cars belonging to the road, but have always been set aside on the sidings whenever the business was slack, so as to keep the cars of the road fully occupied.

THE NEW-LONDON LEASE.

This road was leased by three of the managers in December, 1871. There existed at the time of its lease substantial and satisfactory reasons why the lease could not then be taken directly to the trustees and managers.

The parties had no idea of any personal speculation in it, but took it temporarily in this form for the benefit of the line. They have never in any form received one cent from it individually, nor has there been any discrimination in favor of it in division of rates, or in any other possible form for the benefit of the lessees.

The lease itself contains the provision for its transfer to the Vermont Central Road at a proper time, and they are the only parties to whom the transfer can be made.

The managers deemed it important for the interests of their line that this lease should be made. That it has been of great value to all its interests can, as they believe, be satisfactorily shown.

The same is also true of the Sullivan Road. There existed at the time of its lease difficulties in the way of its being then brought in as part of the Vermont Central line. The question was submitted to Hon. L. B. Peck and Hon. Andrew Tracey, then counsel for the trust, and, after a careful examination, they advised that the lease be taken in the form it was. It has been held since that time steadily to the purpose for which it was taken, and at no time has it been used in any sense whatever to the injury of the Vermont Central.

The lessees of the road will at any time be only too happy and willing to transfer it entire to the Vermont Central system.

THE MONTREAL AND VERMONT JUNCTION.

The Montreal and Vermont Junction Road is not a leased road. That road in its inception was sought for by parties adverse to the Vermont Central Road. When it became evident that it would be built, the managers of the Vermont Central sought to place themselves in a relation to it that would secure all its advantages to their road.

They, therefore, became somewhat active in securing a friendly relation to the parties in interest in the charter, and so became prominently identified with it.

After the municipalities had made their subscriptions to the stock, and had secured sufficient means to justify placing the work under construction, a contract was let, after public advertising, for a specified sum, to be paid in the stock and bonds of the road. The work was commenced just as the civil war in this country broke out. The currency of this

country was then undisturbed, and, like the currency of Canada, was at its gold value. The contract, being made in Canada, was payable in the currency of Canada. To induce the contractors to accept the stock and bonds in payment for this work, two of the managers of this Road, who were then directors in the Montreal and Vermont Junction road, gave personal assurances that they would negotiate for the contractors a certain amount of the bonds and stock which they were to receive.

The currency of this country, in consequence of the war, soon became disturbed, and gold rose to an exorbitant premium. The currency of Canada had become seriously disturbed, and the contractor was obliged to surrender his contract from inability to go on. Meantime the work on the Vermont and Canada branch to the Canada line had been commenced, and, to prevent a failure of the whole enterprise, two of the managers of the Vermont Central, having pledged their faith to the parties in Canada that they would in good faith aid in building the road, undertook out of their own means, and on their own personal credit, to carry the enterprise through, taking the securities of the road. The road was thus completed. A temporary arrangement was made for operating it by the Vermont Central, and a basis of fifty per cent of the gross receipts was, on consultation with the other managers, agreed upon for the time being. While the road was new, and in high condition, and as it was an easy road to operate, this was considered not an unfair division, especially as, by the arrangement, the trustees and managers only assumed to furnish the motive-power and keep the track in repair; all the other expenses of maintenance and repairs, of building and road-bed, including bridges, being paid by the parties on the other side. The attention of the committee of the bondholders and of the Vermont and Canada Road has been frequently called to the matter since that time; and it has been strongly urged by the managers interested in the property that they should be relieved of this position in some form, and that some basis satisfactory to all parties should be arrived at. They have at all times been ready and extremely desirous of having the matter disposed of, either by assuming the road at a price, or by permanent lease of it, or by some agreement which would be equitable to all parties. Thus far no settlement has been arrived at. They have been exposed to unjust suspicion that they were taking advantage of the double position which they occupied, while they have been anxious all the time to dispose of the question on any fair and just basis. They can only repeat here what they have so often said to the parties above referred to, — that they have but one desire; and that is that a basis should be agreed upon which will be satisfactory to the security-holders of the Vermont Central and Vermont and Canada, preferring even to do injustice to themselves rather than to occupy any doubtful position.

THE AIM OF THE TRUSTEES AND MANAGERS.

The managers have thus endeavored to meet fully all the questions which have been raised against them, seeking no concealment or evasion of any responsibilities resting upon them, nor attempting any vindication that is not warranted by the facts.

In the administration of their trust they have endeavored to discharge their duties with fidelity, always inviting the closest scrutiny of their affairs, and willing to impart full information to all who were interested to inquire and who had a right to know.

The accounts and vouchers of the trustees and managers have been always freely open to the inspection of the committee of the bondholders, elected annually, and who, by the provisions of the compromise decree, are constituted an advisory committee, and are the special auditors of the accounts.

This duty of examination has been performed by that committee periodically, at least as often as once in six months since the date of the decree.

In all important matters, relating to the trust matters, on all questions of policy, they have been freely consulted and advised with; and when matters of graver moment have been before the trustees, affecting the interests of the property, the advice and consent of the Vermont and Canada directors have been sought in addition.

The aim of all has been to bring the property to its highest state of efficiency and to develop all its elements of strength in the fullest and most judicious manner possible.

That the property itself is capable of meeting in a little while the full expectations of its warmest friends, none familiar with it can entertain a serious doubt. The question of how soon it can reach this point, and how rapidly it shall develop, is a question of easy solution. It is now in all its appointments in high condition. It can be worked now safely on a low scale of economy, and hold its present earnings, and be made to pay on all the securities hitherto interest-bearing; but, under such a policy, the road cannot develop as rapidly as with a liberal policy it can be made to do. The present capital, adding to the interest-bearing securities the present debt of the trust, is not large for the property represented. The ratio of annual increase of earnings for the past ten years has been a little over an average of thirteen per cent. There is no reason why the road cannot continue to increase annually in a steady ratio for years to come.

THE NEW LOAN.

The question of disposing of the present floating debt is the one of pressing importance in order to restore the credit of the road.

To provide for this, authority has been granted to the trustees and managers to issue their notes for $2,500,000, payable in thirty years, with 8 per cent interest, and constituting them a special lien upon the trust property and income of the road. Of this sum $700,000 is to be deposited with the New-England Trust Company, for the purpose of retiring the first equipment loan for that amount, which matures in 1875. The balance, $1,800,000, is to be disposed of for the purpose of retiring the floating debt of the trust.

If these are taken by the holders of the present securities, or sold at once, the trust would be relieved from their present embarrassments, and the credit of the road would be promptly restored.

When this is done, the question arises, What plan can be adopted for placing the road on some permanent footing to relieve it of a trust management?

The managers cannot too strongly urge upon the security-holders the necessity for devising some plan to place the road under a corporate management. It is a subject which the managers have more than once before urged upon the attention of the parties in interest.

The property is too large, and involves too important interests, to be continued in its present form of management.

The managers would, therefore, suggest the appointment of a committee of conference, from the various classes of securities, to meet with them at an early day to take this subject into consideration.

The managers will most cordially co-operate in any plan that may be deemed safe and best for all interests.

TREASURER'S REPORT.

BOSTON, Oct. 1, 1872.

To the Trustees and Managers of the Vermont Central and Vermont and Canada Railroads:—

GENTLEMEN,—I hand you herewith sundry statements made up from your books after closing them to June 1, last, by which you may see the results of your business for two years ending that day, and your financial condition at that time.

These statements show the results of your business for the two years ending June 1, 1872, as follows:—

The gross earnings of the Vermont Central and Vermont and Canada, including the S. S. and C. R. R.....	$4,395,384.17
The expenses.....	3,004,890.84
Net.....	$1,390,493.33

The gross earnings of the Rutland Road and branches from the time of lease to June 1, 1872, seventeen months	$1,869,589.64	
The expenses	1,333,636.48	
The net		$535,953.16
The gross earnings of the Ogsdensburg and Lake Champlain Railroad from time of lease to June 1, 1872, 27 months	$2,232,467.64	
The expenses	1,568,281.75	
The net		664,185.89
Total net		$2,590,632.38
The gross earnings being	$8,497,441.45	
The gross expenses being	5,906,809.07	
The net being	$2,590,632.38	

The proportion of expenses to earnings being 69½ per cent.

From the above net earnings is to be deducted the amount paid to the Vermont and Canada Railroad, and the rents of leased roads, as follows: —

Two years' interest to Vermont and Canada Railroad on $2,500,000, and one year on $500,000, at 8 per cent per annum	$440,000.00	
Seventeen months' rent of Rutland Railroad and branches to June 1, 1872, at $562,000 per year	843,000.00	
Twenty-seven months' rent O. and L. C. Railroad	$899,145.00	
Less lower road's part of loss, say	85,000.00	
	814,145.00	
Total rents and interest on Vt. and C. stock		$2,097,145.00
Which deducted leaves the sum of		493,487.38

as the balance of net earnings after payment of all rents and the interest on Vermont and Canada stock.

In the last two years the interest paid on your bonded debt has been as follows: —

On 3,000,000 first-mortgage bonds, 7 per cent	$420,000.00
On 2,000,000 equipment loan bonds, 8 per cent	320,000.00
On 443,800 S. S. and C. bonds, 7 per cent	62,132.00
On 795,500 Vermont Central guaranteed 11 months, 8 per cent	58,336.67
Total on all	$860,468.67

During this time you have also paid for new locomotives, cars, new stations, new side-tracks, &c., and extraordinary expenses not included in the statement of expenses, and not properly chargeable in them, they being such expenditures as other roads have capital furnished them to meet, the following sums, which are detailed in accounts handed you herewith, viz. : —

On Vermont Central Railroad	$1,016,580.60	
On Rutland Railroad and branches.....	185,568.55	
On Ogdensburg and L. C. Railroad	93,516.40	
Amounting in all		$1,295,665.55
Which, added to the interest paid on your bonds as above, gives as the sum of your expenditures		$2,156,134.22
If from this you deduct the balance left of your net earnings after paying the rents, viz.		393,487.38
The balance shows an excess of expenditures over net earnings for the two years of		$1,662,646.84
The result of your last two years' business may be briefly stated as follows: You have paid the interest on all your bonds: this interest amounts to.....	$860,468.67	
You have paid the rents of all your leased roads and the interest on the Vermont and Canada stock amounting to.....	2,097,145.00	
In all amounting to		$2,957,613.67
Your net earnings have been sufficient to meet of this..		2,590,632.38
The deficit for two years being.....		$366,981.29
You have increased your rolling-stock and improved your own and the leased roads to the amount of.....		1,295,665.55
Making in all an expenditure of..... over and above the net earnings of the roads.		$1,662,646.84

Your financial condition June 1, 1872, as may be seen by the statements hereto appended, was as follows: —

BONDED DEBT.

Equipment bonds, 8 per cent	$2,000,000
First-mortgage bonds, 7 per cent	3,000,000
Vermont Central guaranteed bonds, 8 per cent	795,500
S. S. & C. bonds, 7 per cent	443,800
	$6,239,300
Second-mortgage bonds	1,500,000
Total	$7,739,300

Your assets to meet this debt are the road, the rolling-stock and the S. S. and C. purchase. Your books do not give the cost of the road nor of the rolling-stock.

In your printed report for 1865, it is stated that the original total cost of the construction of the Vermont Central Railroad was	$8,500,000.00
The appraised value of your rolling-stock now is	1,895,097.37
The S. S. and Chambly purchase is that road, 43 miles in length, and valued at	860,000.00
These sums amount to	$11,255,097.37

And more than cover your funded debt.

FLOATING DEBT.

The floating or unfunded debt June 1, 1872, as shown in detailed statement, is,		$2,878,164.42
Your assets to account for this are cash, notes, stocks, and book accounts, to the amount of	$1,816,029.95	
Wood, shop-stock, and other supplies on hand, to amount of	1,198,595.22	
S. S. and C. bonds on hand	56,200.00	
Vt. C. guaranteed bonds on hand	204,500.00	
In all amounting to		3,275,325.17
Being a surplus of assets of		$397,160.75

Your assets available in time to meet your liabilities I estimate at $1,349,249.57.

The balance of your assets are doubtless worth the amount set against them; but they are investments for the benefit of the road, and investments in supplies for the future use of the road, and cannot well be turned into money.

The amount of the debt over the available assets is..... $1,528,914.85
The cause of this debt is seen in the fact, that, during the last two years, your expenditures have exceeded your net earnings by the sum of..... 1,662,646.84

The following statement, prepared for your meeting, Sept. 17, will perhaps exhibit more fully the statement of the floating debt, its causes, and the means on hand to meet it: —

FLOATING DEBT, JUNE 1, 1872.

Notes payable and demand loans	$1,716,654.69
Unpaid bills	450,441.27
Unpaid pay-rolls	227,559.67
Sundry book-accounts	185,102.59
Sundry railroad-accounts	203,062.46
Unpaid coupons	95,343.74
Total debt	$2,878,164.42

AVAILABLE ASSETS, JUNE 1, 1872.

Notes receivable and stock	$146,609.29	
Post-office, express, &c	59,336.68	
Cash and cash memoranda	251,488.79	
Station-agents' balances	234,454.17	
Sundry accounts	200,000.00	
Sundry railroad accounts	457,360.64	
		1,349,249.57
Balance of debt above assets		$1,528,914.85

CAUSE OF THIS DEFICIENCY.

Losses on Ogdensburg and Lake Champlain Railroad	$159,842.00
Losses on Rutland Railroad	396,981.00
Advances on Missisquoi	49,652.00
Northern Transportation Company investment	191,337.00
Notes to Rutland Railroad for materials	418,000.00
Shop-stock, wood, &c., in excess of amount two years since	377,000.00
	$1,592,812.00

Sundries on hand to account for the debt, and which are working capital: —

Shop-stock, wood, rails, &c.	$1,198,595.00
Work done on Addison Railroad in completing road, chargeable to Rutland Railroad	102,000.00
Missisquoi bonds	25,000.00
Eight per cent bonds unsold	204,500.00
Sundry accounts	200,000.00
Sinking fund N. T. Co. provided for in contract of purchase of N. T. boats to extinguish the notes given in payment for the boats	104,625.00
	$1,886,720.00

I hand you herewith a condensed statement of your account as trustees and managers from June, 1858, to June, 1872, by which it may be seen that during the fourteen years ending June 1, 1872, the net earnings have been sufficient to pay the interest on all your bonds, the interest on the Vermont and Canada stock, and the rents on all your leased roads.

All of which is respectfully submitted.

(Signed) H. B. Wilbur, *Treasurer.*

STATEMENT.

The following statement was also submitted: —

Trustees and Managers Vermont Central and Vermont and Canada Railroad in account with bondholders from June, 1858, *to June,* 1872: —

RECEIPTS.

Wood, shop-stock, &c., and accounts collectible, on hand June, 1858			$239,416.21
42 locomotives on hand June, 1858		$242,250.00	
767 freight-cars	do.	283,985.00	
26 passenger-cars	do.	35,600.00	
9 baggage-cars	do.	7,000.00	
			568,835.00

Amounts received since June, 1858: —

From equipment loans	$2,000,000.00	
From Vermont and Canada stock on account of Swanton Branch	250,000.00	
On account of certificates of indebtedness, &c.	250,000.00	

On account of expenditures on Vermont and Canada Road	$500,000.00	
From S. S. and C. bonds	443,800.00	
From Vermont Central guaranteed bonds	795,500.00	
		4,239,300.00
From notes, bills, and accounts now unpaid		2,878,164.42
		$7,925,715.63

PAYMENTS.

Debts paid that were outstanding in June, 1858		$130,955.91
Interest on bonds since June, 1858	$2,054,193.31	
Coupons, 1st and 2d mortgage bonds	326,791.61	
	$2,380,984.92	

RENTS.

Vermont and Canada, from June, 1862, to June, 1872	$1,925,761.21		
Missisquoi Road, one year	35,000.00		
Rutland and branches, 17 months	843,000.00		
O. and L. C., 27 months	814,145.00		
		$3,617,906.21	
Total interest and rents			5,998,891.13
Burlington Branch		327,221.02	
Wharfing		207,509.16	
Certificates of indebtedness		114,460.00	
Depots, &c		96,310.81	
Tracks at St. Albans		39,229.19	
Decretal payments		229,564.30	
Legal expenses		87,368.42	
S. S. and Chambly purchase		475,336.67	
Swanton Branch		340,308.98	
Shops at St. Albans and Round House		181,147.46	
Depots at St. Albans and Burlington, and engine-house at Burlington and White River Junction and Essex		252,364.17	
Telegraph line and depot at Essex		10,075.96	
New side-tracks and real estate, estimated cost		100,000,00	
Tramroad		76,000.00	
85 locomotives	$637,672.27		
1,425 freight-cars	1,004,625.00		

49 passenger-cars	$207,700.00	
20 other cars	45,100.00	
Appraised value	$1,895,097.27	
Estimated cost	$2,262,410.00	
		$4,799,306.14
Wood, shop-stock and notes, stocks and accounts, &c., now on hand		3,014,625.17
		$13,943,778.35
Payments	$13,943,778.35	
Receipts	7,925,715.63	
Balance received from earnings	$6,018,062.72	

This balance was sufficient to pay your interest and rents, which amounted to $5,998,891.13: your other receipts were sufficient to meet all your other payments.

The Report was listened to with the closest attention, and was greeted with frequent applause.

THE DISCUSSION (AS REPORTED IN THE DAILY ADVERTISER).

At the close of the reading, which occupied about an hour and a quarter, the chairman rose and said that as the trustees and managers, in their very exhaustive report, had suggested the appointment of a committee of conference with the various classes of stockholders, to meet with them at an early day and take the subject of the condition of the road into consideration, and the best way to meet the liabilities it had incurred, he would suggest that immediate action should be taken, as it was a very important matter.

Mr. Reddington of St. Johnsbury, Vt., was the first to open the discussion. He said he supposed that the meeting represented all classes of proprietors, and that gentlemen had come there who owned shares in the Vermont and Canada and the Vermont Central lines, and all the interests connected with that great thoroughfare. For his own part, he represented the interest of some Vermont and Canada stockholders, and he felt that, although he had no charges to make against the trustees, there were some things in connection with the account that he could not understand. He was called a Vermont old fogy, and he confessed he was one. But there was one thing he had learned, however, and that was, you can never pay a debt by borrowing money to pay the interest. [Applause.] He did not wish to find the least fault with the report: it was an excellent document, and he thought the stockholders should stand up and aid the trustees. Every one would join him in the opinion

that the road was worth more money than the report stated it to be; and if they aided the road, and then sustained the effort to make a corporation, and put the road under its control, and take it out of the chancellor's hands, he thought it could be made one of the greatest roads in the world, and they would have the advantage of helping the greatest main road in the country. He would say nothing about the leases that had been entered into: he cared but little about it, for his own part; but when he was at home he could look across the street, and behold a woman who was almost sightless, who held some of the stock; and it was for her, and unfortunate people like her, that he mostly cared. It had been represented that the bonds of the Vermont and Canada had preference over every thing else, and, as such, people considered it the best security they had on their books. When it was voted to issue $500,000 more of stock, making $3,000,000 in all, he received a notice to the effect that he was entitled to so much of the stock; and it was then distinctly stated that it would have preference over every thing else. He hoped it would turn out to be so. He had known the trustees four or five years, or perhaps more, and had the greatest respect for them. When there was imputed to them any thing but an honest purpose and the strictest integrity, when it was said they had done any thing to fill their own pockts, he made bold to say that he did not believe a word of it. [Applause.] But that they may have erred in judgment, as we all do, he would allow; and he rather thought they had. "We have got into this difficulty," continued the speaker, "and we have to get out of it, and get rid of and separated from our chancellorship. I don't want to get into a litigation, because it will cost far too much. I do not represent a large amount; but some of my friends of the Vermont and Canada Road wanted me to come down here and see about this matter. I think that just so long as a man can get his eight and ten per cent, and can get it readily, he gives very little attention to the directors or the treasurer; and the first thing he knows, he is looking after his profits. If there is any thing wrong, the man who owns an interest is to blame for not looking after his interests. So, if matters have gone wrong with this road, we must look to the stockholders, and not to the men who have been doing their, work for them. Let us find no fault with our trustees and managers, but look after our own interests, and it will all be well."

Mr. E. C. Bailey of Boston.—"I can only say, sir, that I have been delighted with the report which the president of the trustees has presented to us, which has very fully and explicitly set forth the facts which we all ought to have known long ago; and, if they had been known as thoroughly as they are now, I believe that the criticisms of the public press would have been avoided. Any gentlemen who assume a public responsibility must expect that the press will look after them, and they

must not find fault if they do so. I think it has been a good thing for us; for our good Gov. Smith has come down here and told us the whole story. Now, sir, this property is worth all it cost, and a great deal more; and I think it is for the interest of every man who owns a dollar of the stock to stand by that road and see it through. [Applause.] Let this committee of conference be appointed, and let all the various securities be merged into one security, or you may call it stock, if you please, and let it be managed by the people, and run in their interest, and I have no doubt that all the litigation of the Vermont Central will be ended. I believe that the honorable men who compose the board of managers have had no personal or private end in view. They have watched the development of the property for a long time, until it has got to be a very valuable property, — worth, I believe, $15,000,000, and earning something like $2,000,000 yearly. I think the running expenses have been rather high, — 70 or 69 per cent. I think the trustees are now ready to reduce this expense; and I say, let us stand by them. I have $25,000 in this matter, and I purpose to do what I can to sustain it, and not come here to cry it down. If we do so, I believe its stock will soon be above par, instead of depreciated below it. I have no doubt that the lease of the Rutland and of the Ogdensburg roads will, in five years, pay their expenses, and pay a large profit beside. Already their receipts are increasing, and expenses decreasing. I hope the trustees will stop borrowing money to pay dividends, and let them pass until they earn the money. I hope the suggestion for the appointment of a committee of the holders of the various securities to confer with the trustees, and arrange for a grand organization, to be managed by the people, will be adopted, and it will be successful."

Mr. Thomas M. Edwards of Keene, N. H., said he valued the time of the gentlemen present too highly to make a speech. He only wished to say, prefatory to a motion he proposed to submit, that it is no new thing for a railroad enterprise to be struggling in embarrassments, and he did not think it strange, that, in the state of the times, the managers of the Vermont Central Railroad had found themselves in difficulties. Some roads had fallen under the pressure that had been brought to bear upon them, whilst others had rallied, and had successfully managed the branches that sucked their life-blood. When they find a road stretching out its arms and endeavoring to cover the surface of a large section of country, and find that it has numerous interests, they must expect it to have great strength in order to get through without difficulty. If the managers of the Vermont Central and Vermont and Canada Railroads had the advantage of a corporate organization, or had the power to relieve themselves of what seemed to be large expenditures in the general man-

agement of the road by an open construction-account, it would have been a great deal better for it. He had heard experienced railroad-men say that if the Boston and Albany Railroad had not had an open construction account, by which they could carry the expenses of their great improvements all round, that they could not have paid their dividends to-day. He believed the Vermont Central managers would be able to carry on the enterprise if they were relieved now from their present exigencies; for it seemed impossible to him that there could be any difficulty of so running it under economical management. He did not suppose (having some knowledge of the business of the country, and of the condition of the roads that connected here) that the net incomes of the leased roads for the time would enable them to meet the liabilities they have incurred, and he was not surprised at the fact that they had been a charge, and nothing else, upon the Vermont and Canada railroads. But in looking to the future, and speaking from the experience of the past, he fully believed that the present deficiency would be made up by an increased economy and the traffic that must of necessity increase. In conclusion, he moved the appointment of a committee of conference, representing the various interests of the road, and suggested the names of William Perkins, James S. Whitney, Lemuel Shaw, Ivers Phillips, and F. A. Brooks.

The chairman declined to stand on the committee, and Mr. Bailey wanted a nominating committee appointed, who should select the committee of action and conference on the suggestions of the trustees.

Ex-Gov. Smith then rose and said, "With reference to the appoint ment of a committee of conference with the trustees, there are many things to be considered. If it is desirable, as the trustees and managers have no doubt it is, that important steps be taken toward the working of this enterprise into a more satisfactory condition than it is to-day under this management, and placing it in the hands of a corporation, it should receive at the hands of the security-holders here a prompt attention, and for this reason. There are many ways which will naturally suggest themselves to almost every man's mind by which this can be done; but the chief question to determine is what is the best way. Whatever way may be adopted, it will involve, undoubtedly, an application to the legislature for aid in order that we may bring all the interests together in legal form and on a substantial and permanent basis. And as that legislature is now in session, and will not be again for two years in Vermont, it seemed desirable to the trustees and managers, that, if the proposition strikes the security-holders with favor, it should be acted upon with great promptitude, because a great deal of work must be done before any bill which should embody all the various interests can be prepared. The regret of the managers and trustees has always been that

the security-holders have not watched their property with more care; that they have not known what it is. While they desire a large number, yet in this emergency a large, unwieldy committee, where you cannot act without a majority, would be rather an act of embarrassment than otherwise. A committee of ten, who have their minds on their business, cannot always be got together. This subject needs consultation, study, and close attention, and should have a committee appointed which can act with promptitude, and yet have deliberate action. The committee stands charged with no common duty. The creditors are to be taken care of. They are all patient; and I will say this, that notwithstanding the very strong pressure that has been brought to bear upon us, notwithstanding the reports that have been flying around the State, I do not believe a parallel can be found anywhere, where the creditors have stood with more confidence, and have been more steadfast to us, than they have here. [Applause.] With all the pressure brought to bear in this city, with the statements that have been made that the whole road was under attachment, that all its cars and engines were attached, I say to the credit and the honor of my own State that less than $5,000 in all has been the result of attachment or disturbances on the road. It tells you of the confidence the people there have in the security of the road, and in its permanency and in its value. And from all quarters of the State I have received but one single response, and that is only to stand firm. That is all they ask. They know the value of the property; and if security-holders would go over the road, and make their inspection, — it is always open, and the managers have always done every thing with an open hand, inviting the closest scrutiny of their management and policy, — they would see for themselves a property vast in extent, fertile in its resources. Without descending to make any invidious comparison with any enterprise in New England, I do not hesitate to say, that with the vast extent of territory beyond the Vermont Central Railroad which is yet to be developed, and which lies ready to pour its wealth into this city, not a solitary enterprise can to-day show such a territory and such resources. The great favorite line of Boston empties herself right into the interests that control it at Hudson River, and has made its boast that nothing shall pass there unless it be at the mercy of New York, and here lies an enterprise reaching up into a country yet to be developed, and which is growing faster than you know of, a direct line to the great country beyond. It only needs the careful nursing and the attention which the father will give to his child to build it up and make it realize more than you ever dreamed of in the most sanguine moments of your life.

"I am not here to exaggerate; but my relation to an enterprise which bears close relations to this for the last six years has brought me into a

position where I have been enabled to see what lay before this enterprise. I speak of the Northern Pacific Railroad, which will bring here in the spring, to the commerce of New England, not only the great grain-fields along its line, but which will prove to be the nearest, shortest, and quickest line to the heart of Montana. The Canadian parliament has voted lands and money for the purpose of completing this enterprise. It will strike not only an all-rail line, but it will give you the shortest water-line to Lake Superior. That road to-day is organized. It is now being prepared to put under contract in the spring; and, before this road can organize its corporation, Canada will have this road built and organized, and you will be in direct communication with the great Northern Pacific. Now, see what the trustees have done for this road in the trying circumstances, with no elasticity of resources, nothing but what they could borrow on their personal indorsements of paper to carry the business along and pay the dividends! Look at what the other roads have done! Take the Pennsylvania Central, for instance. For five years past, the president has gone to the stockholders, asking for increased capital, increased equipment; and this year he goes again, and they give it to him. Look on its consequent expansion, and how it has made itself a power. The Boston and Albany Railroad has asked from time to time the power to expand; and see how she has grown! The Vermont Central Railroad has never had any assistance since 1852, when the old corporation went into bankruptcy, and surrendered itself into the hands of the trustees: she has had to sustain herself. Had she the power to expand herself on capital, as these other roads have done, she would have to-day a double track from Concord to Ogdensburg, she would have her equipments adequate to meet the wants of her business; and her income, instead of being $2,000,000 a year, would have equalled and exceeded that of the Boston and Albany, simply for the reason that the power, the resources, and the wealth are there. Give it to her to-day, and you place the Vermont Central in an independent position, not to be surpassed by any railroad in the United States." [Applause.]

Some discussion ensued on the appointment of the committee. Mr. J. R. Nichols hoped that the meeting would nominate five men, to be chosen from the floor, to retire and select a committee of ten to act according to Gov. Smith's recommendation. Mr. Edwards explained that he had no individual preference in relation to the matter. He thought a committee of ten would be too large. He coincided with the belief that a committee of five be appointed on nominations. Mr. Bailey seconded Mr. Edwards's proposition, and it was carried. The chairman constituted the committee as follows: Messrs. William Perkins, E. C. Bailey, Lemuel Shaw, Ivers Phillips, and F. A. Brooks.

Whilst the committee were absent, Mr. C. C. Coffin took the floor and

briefly addressed the meeting. He said he was not a very large stockholder in the line; but he did something years ago as engineer for the road. In reference to the grade between Boston and the St. Lawrence by this line, he said it exceeded nowhere fifty-six feet to the mile. He then gave the grades by the other lines, which were far larger than that of the Vermont Central Railroad. Speaking of the growth of the Northwest, he stated that Boston was a hundred miles nearer to the Red River Valley than New York can ever be, and therefore Boston had it in her power to control all the trade of that section of the country. He was very glad Gov. Smith had suggested to the stockholders to take the roads out of the hands of the courts, and form a corporation. He believed the stockholders should demand from the State of Vermont a double track for this road from Boston to the St. Lawrence. In time, he believed the people of the East would receive their tea and all other commerce from China and Japan by this route, in place of the cumbrous and long voyage around the Cape. In conclusion, he depicted a glorious future for Boston and the roads in question.

The nominating committee reported as follows: Representing the Vermont and Canada Railroad, William Perkins and Lemuel Shaw of Boston; first-mortgage bonds, Edwin C. Bailey of Boston; second-mortgage bonds, J. W. Converse of Boston; equipment bonds, Ivers Phillips of Worcester. The Report was accepted; and the gentlemen named were appointed the committee of conference with the managers and trustees of the road.

The Chairman. — "I wish to say a single word in relation to a point that has not been touched upon by any speaker of the assembly It was altogether unexpected to myself that I should occupy the position in this meeting in which you have placed me. The idea had never been suggested to me until I entered the room. There is one subject for you gentlemen, stockholders, bondholders, and security-holders, to consider, — that this link of road is to lie between two very rich roads. The Boston and Lowell and the Concord and Montreal roads are very rich roads; but no such road for wealth has ever been incorporated in the United States as the Northern Pacific. The government gave them 75,000,000 acres of land, — land enough, if well husbanded and taken care of, to build three railroads from here to the line of the Pacific Ocean. Why, it is not such land as the Union-Pacific Road had, — desert and mountain land, — but it crosses the continent along a line of rivers, and over a rise 4,000 feet less in altitude to reach the Pacific than the Union-Pacific Road; and a thousand feet in altitude is estimated to be equal to about a degree of latitude: therefore your Northern-Pacific Road is farther south for all practical purposes of business than the Union-Pacific. It is to be one of the wealthiest roads

ever inaugurated by any government under heaven; for these lands are the most fertile for cereal crops of any on the continent. They have alternate sections twenty miles in width, forty miles of the fertile land of these prairies, and along the borders of these rivers. Therefore what is the advantage of the Vermont-Central Railroad to-day? It is in condition to receive by its northern terminations this vast amount of freight that is soon to pour into it from the Northern-Pacific. You have not to go and build a trunk road for Boston to take care of it; but it is already and practically provided for it now. Here is a railroad, so far as I can understand the Report, that has been well and ably managed. It is good management for a railroad to run since 1858 without the power to add one single dollar to its construction account; to build every bridge that has been burned down, build every station, lay every foot of new rail, out of its current running account, and report that it has done all this, with other expenses, from 69½ or 70 per cent of their gross earnings. I submit to you, gentlemen, that this is a magnificent report. But I am not here to whitewash Gov. Smith. I scarcely ever spoke to him until to-day; but we all know something about railroads. We know that the old railroad of which we all feel so proud, the Boston and Albany, has continually added to the amount of its stock. It has often asked the old Commonwealth of Massachusetts to loan the corporation its credit within the last four years, to extend its bonds. It has carried its stock upward until its bonds and equipment are in amount almost $30,000,000. This road, run by trustees and managers under a court, without any resources except their running-receipts to meet the expenses of such an enterprise as this, lying between two rich roads, with the Northern-Pacific touching the Pacific Ocean by a route 400 miles shorter than that of the Union-Pacific, and when you are 700 miles nearer Japan than at the terminus of the Union-Pacific, — with all this and with a capital of six hundred and ninety odd million of dollars in this city, are you to let this little link of railroad, that will pour uncounted wealth into the lap of your city in the future,— are you going to allow it to waver and crawl along, blocking up this tide of wealth that it is ready to bring you? I trust not. If I were a rich man, I would take every dollar of it myself." [Applause.].

After a statement from Mr. Smith, to the effect that the matter of subscription-papers would be left in the hands of the Committee of Conference, it was decided to print the report of the managers in pamphlet form; and the meeting adjourned to Wednesday next at the same time and place.

THE MAP.

THE map accompanying this Report is a transfer from Johnson's Atlas of the United States and Canada. It shows the exact relations of the Vermont Central Railroad to Boston and New England on the one hand, and to the St. Lawrence and Ottawa Valleys, the Lakes, the grain-fields of the North-West, and the Northern Pacific Railroad, on the other. The New-York, Boston, and Montreal Railroad, from New York to Rutland, and the Portland and Ogdensburg, are also indicated, as well as the present and probable future routes for the transportation of grain upon the Lakes during the season of navigation.

RELATIVE DISTANCES OF BOSTON AND NEW YORK TO THE GRAIN-FIELDS OF THE NORTH-WEST.

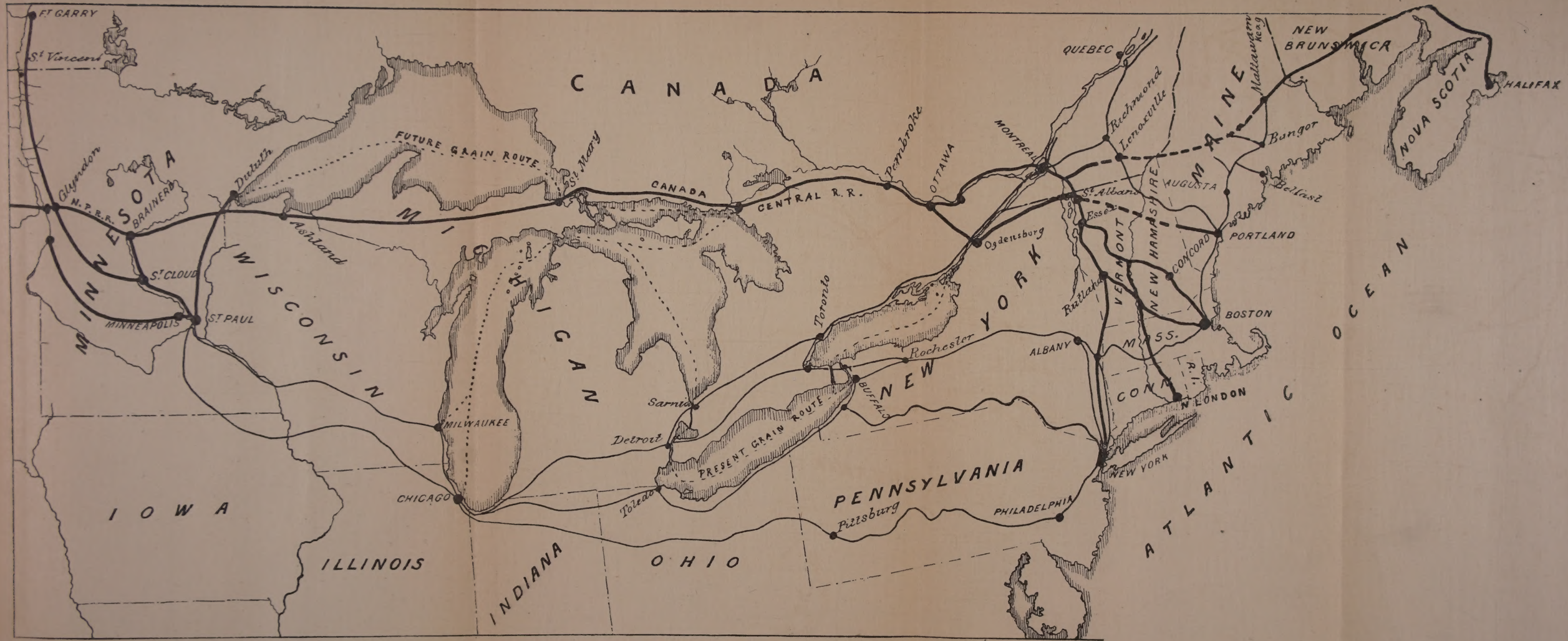
	miles	
From Boston to Essex Junction	238	
" Essex Junction *via* Ottawa Valley, Sioux Ste. Mary, to Glyndon, Minn	1,281	
Total from Boston to Glyndon		1,519
From New York *via* New York, Boston, Montreal, and Rutland roads, to Essex Junction	318	
" Essex Junction to Glyndon	1,281	
Total from New York to Glyndon *via* Rutland and Vermont and Canada roads		1,599
Difference in favor of Boston		80
From New York *via* N. Y. Central, Lake Shore, Chicago and North-Western, St. Paul and Pacific railroads, to Glyndon	1,645	
" Boston *via* Ottawa Valley	1,519	
Difference in favor of Boston		126

MAXIMUM GRADES ON RAILROADS LEADING FROM THE ATLANTIC TO THE WEST.

Boston and Albany	83	feet to the mile
New York and Erie	98	" " " "
Pennsylvania Central	95	" " " "
Baltimore and Ohio	116	" " " "
Boston to Ogdensburg *via* Northern New Hampshire and Vt. Central	50	" " " "

POWER OF A THIRTY TON LOCOMOTIVE ON DIFFERENT GRADES. (FROM THE CATALOGUE OF BALDWIN LOCOMOTIVE WORKS.)

On a level	930	gross tons
20 feet grade	430	" "
40 " "	270	"
60 " "	190	"
80 " "	140	"
100 " "	110	" "


Ft GARRY
St Vincent
CANADA
FUTURE GRAIN ROUTE
Glyndon
N.P.R.R.
BRAINERD
Duluth
St Mary
CANADA CENTRAL R.R.
Pembroke
OTTAWA
MONTREAL
QUEBEC
Richmond
Lenaxville
MAINE
Mattawamkeag
NEW BRUNSWICK
NOVA SCOTIA
HALIFAX
Bangor
Bellast
St Albans
AUGUSTA
Essex
PORTLAND
Ogdensburg
Ashland
St CLOUD
MINNEAPOLIS
ST PAUL
WISCONSIN
MICHIGAN
Toronto
Rutland
VERMONT
NEW HAMPSHIRE
CONCORD
BOSTON
Rochester
NEW YORK
ALBANY
MASS.
R.I.
CONN.
N LONDON
Sarnia
BUFFALO
MILWAUKEE
Detroit
PRESENT GRAIN ROUTE
NEW YORK
CHICAGO
Toledo
PENNSYLVANIA
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INDIANA
OHIO

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